


Sub

MAGNUM FUND LIMITED

1968

FORTY - EIGHTH
ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 1968



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MAGNUM FUND LIMITED

Incorporated under the laws of Canada

HEAD OFFICE: 25 King Street West, Toronto 1, Canada

BOARD OF DIRECTORS

T. R. ANDERSON, Minneapolis	N. J. McKINNON, Toronto
DR. CARLO BOMBIERI, Milan	LEO MODEL, New York
W. E. P. DeRoche, q.c., Toronto	GORDON P. OSLER, Toronto
G. PETER FLECK, New York	THE HON. N. C. J. ROTHSCHILD, London
HANS J. FRANK, New York	JONKHEER J. A. G. SANDBERG, The Hague
DAVID G. GUEST, q.c., Toronto	MAURICE SCHLOGEL, Paris
GEORGES C. KARLWEIS, Geneva	SIR MARK TURNER, London
BARON LEON LAMBERT, Brussels	FRANZ H. ULRICH, Dusseldorf

OFFICERS

<i>Chairman of the Board</i>	- - - - - LEO MODEL, New York
<i>President</i>	- - - - - W. E. P. DeRoche, q.c., Toronto
<i>Treasurer</i>	- - - - - A. STANLEY GLUCK, New York
<i>Secretary</i>	- - - - - DAVID G. GUEST, q.c., Toronto

<i>Investment Counsel</i>	- - - - - MODEL, ROLAND & Co., INC., New York MODEL, ROLAND COMPANY, London
<i>Legal Counsel</i>	- - - - - BLAKE, CASSELS & GRAYDON, Toronto STRASSER, SPIEGELBERG, FRIED & FRANK, New York
<i>Auditors</i>	- - - - - CLARKSON, GORDON & Co., Toronto
<i>Transfer Agent and Registrar</i>	- - - NATIONAL TRUST COMPANY, LIMITED Toronto and Montreal

MAGNUM FUND LIMITED

FORTY-EIGHTH ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

Your directors submit herewith their report for the year ended June 30, 1968, together with the consolidated financial statements of the Company and Mextram N.V., its wholly-owned subsidiary. As usual, the financial statements are expressed in United States currency.

This year several changes have been made in the form of the financial statements. In the balance sheet, investments having a quoted market value are shown at that value instead of at cost; the cost is shown in brackets. The difference appears in the shareholders' equity section of the balance sheet as unrealized appreciation of investments. In addition, accumulated profit on sale of investments since the reorganization of the Company in 1953, formerly included in earned surplus, is now shown as a separate amount. A statement showing changes in consolidated assets both in the aggregate and on a per-share basis has been provided for the first time. The 1967 figures have been restated to conform with the new presentation.

INVESTMENT ACTIVITIES

At the year-end the Fund's net assets, valued on the basis of quoted securities at market and unquoted securities at cost, amounted to \$19,675,764, an increase of \$4,580,872 over the previous year. On the basis of 395,215 shares outstanding, this represents an increase of over 30% in net asset value per share from \$38.19 at June 30, 1967 to \$49.78 at June 30, 1968.

The funds of your Company and its subsidiary, Mextram N.V., continue to be invested in accordance with our policy of selecting for investment securities of companies domiciled in all parts of the free world, including companies operating in the less developed countries. In addition, Mextram N.V. purchases marketable securities from time to time with a view to taking advantage of short-term market fluctuations which are anticipated either in special situations or because of general market trends.

The following is a summary of investments and other assets as at June 30, 1968:

1. GROUPED ACCORDING TO ISSUING COMPANY'S BUSINESS

	1968			1967		
	Cost	Approximate market value of quoted securities and cost of unquoted securities and other assets (1)	Percent of total	Cost	Approximate market value of quoted securities and cost of unquoted securities and other assets (2)	Percent of total
	(\$000's)	(\$000's)		(\$000's)	(\$000's)	
Chemical and drug.....	\$ 1,718	\$ 2,046	10.4%	\$ 1,321	\$ 1,405	9.3%
Pulp, paper and lumber.....	1,127	1,193	6.1	474	490	3.2
Steel and iron.....	417	363	1.8	788	534	3.5
Electronics.....	1,007	1,083	5.5	765	1,007	6.7
Food and beverages.....	774	762	3.8	448	354	2.4
Miscellaneous manufacturing and retail.....	1,061	1,605	8.1	2,007	1,979	13.2
Mining and refining.....	1,008	1,703	8.7	1,292	1,995	13.2
Oil and gas.....	1,349	1,685	8.6	865	1,174	7.8
Utilities.....	1,069	1,241	6.3	1,230	1,541	10.2
Investment, finance and insurance.....	1,399	1,706	8.7	753	776	5.1
Real estate.....	672	1,256	6.4	484	635	4.2
Building and construction...	1,041	1,292	6.6	717	634	4.2
Transportation.....	1,004	1,186	6.0	421	528	3.5
Other assets, net.....	2,555	2,555	13.0	2,043	2,043	13.5
	<u>\$16,201</u>	<u>\$19,676</u>	<u>100.0%</u>	<u>\$13,608</u>	<u>\$15,095</u>	<u>100.0%</u>

2. GROUPED ACCORDING TO ISSUING COMPANY'S DOMICILE

U.S.A. and Canada.....	\$10,600	\$13,273	67.4%	\$ 7,667	\$ 8,772	58.0%
Europe.....	2,445	3,298	16.8	3,283	3,459	22.9
Central and South America...	601	550	2.8	555	733	4.9
Japan.....	—	—	—	60	88	0.6
Other assets, net.....	2,555	2,555	13.0	2,043	2,043	13.6
	<u>\$16,201</u>	<u>\$19,676</u>	<u>100.0%</u>	<u>\$13,608</u>	<u>\$15,095</u>	<u>100.0%</u>

Notes:

- Investments not having a quoted market value included above: 1968—\$704,000; 1967—\$394,000.
- The figures for 1967 have been restated from those previously reported to conform with revised industry classifications adopted in 1968.
- In the determination of cost, foreign currencies have been translated to United States dollars at exchange rates in effect at the time of purchase; in the determination of market values, translations have been made at closing rates on June 30, 1968 and June 30, 1967 respectively.

DIVIDENDS

In April 1968 the Company paid a dividend of 35¢ per share, the same rate as in the previous year. Your Directors intend to continue making annual distributions in future years from income other than profits realized from the sale of investments.

The Internal Revenue Service of the United States Treasury Department determined on April 30, 1968 that, for United States tax purposes, the percentages of the dividends paid in the six fiscal years ended June 30, 1967 that constituted a return of capital and not ordinary income were as follows: 1961/1962 – 82.40%; 1962/1963 – 38.04%; 1963/1964 – 100.00%; 1964/1965 – 75.58%; 1965/1966 – nil; and 1966/1967 – 72.04%.

The determination was based on computations to the effect that the Company, as of June 30, 1968, had a deficit in earnings and profits (as determined for United States tax purposes) in excess of \$23,000,000.

In the fiscal year ended June 30, 1968, the Company's unconsolidated earnings and profits exceeded the amount of its dividend distribution, and accordingly the whole of the dividend paid in that year constitutes an ordinary dividend to shareholders for United States income tax purposes.

TEN-YEAR RECORD

The results of the operation of the Fund over the past ten years are reflected in the following table on a per-share basis (excluding 20,097 shares held by subsidiary):

Fiscal year ended June 30	Net assets, beginning of year	Realized and unrealized appreciation of investments	Net income from investments	Dividend paid	Net assets, end of year
1959	\$14.73	\$2.97	\$0.29	—	\$17.99
1960	17.99	1.45	0.64	—	20.08
1961	20.08	3.39	0.60	—	24.07
1962	24.07	(2.32)	0.71	\$0.30	22.16
1963	22.16	3.65	0.69	0.30	26.20
1964	26.20	2.45	0.66	0.30	29.01
1965	29.01	1.10	0.76	0.30	30.57
1966	30.57	2.64	0.87	0.35	33.73
1967	33.73	3.79	1.02	0.35	38.19
1968	38.19	11.04	0.90	0.35	49.78

For the Board of Directors

W. E. P. DeRoche
President

Toronto, Canada, July 31, 1968.

MAGNUM FUND LIMITED

(incorporated under the laws of Canada)

and its subsidiary, Mextram N.V.

(incorporated under the laws of the Netherlands Antilles)

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 1968

(In U.S. currency)

(with comparative figures at June 30, 1967)

ASSETS		
Investments:	1968	1967
Securities having a quoted market value, at market (cost— 1968, \$12,942,260; 1967, \$11,171,997) (note 1).....	\$16,416,900	\$12,658,400
Securities not having a quoted market value, at cost.....	703,713	393,598
	<u>17,120,613</u>	<u>13,051,998</u>
Cash and deposits.....	1,514,756	747,824
U.S. Treasury bills—at cost.....		299,038
Short term commercial paper—at cost.....	696,573	892,986
Accrued interest and dividends receivable.....	37,787	21,964
Due from brokers.....	428,081	124,582
Foreign income taxes recoverable.....	3,606	15,491
	<u>\$19,801,416</u>	<u>\$15,153,883</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	1967
Accounts payable.....	\$ 31,012	\$ 14,066
Due to brokers.....	25,732	17,176
Income taxes payable.....	68,908	27,749
	<u>125,652</u>	<u>58,991</u>
Shareholders' equity:		
Capital stock—		
Authorized:		
1,000,000 shares at \$10 each		
Issued:		
415,312 shares.....	4,153,120	4,153,120
Surplus—		
Contributed surplus (no change during year).....	667,616	667,616
Earned surplus (note 1).....	1,307,210	1,089,177
Accumulated profit on sale of investments (note 1).....	10,575,603	8,201,001
Unrealized appreciation of investments (note 1).....	3,474,640	1,486,403
	<u>20,178,189</u>	<u>15,597,317</u>
Less 20,097 shares of Magnum Fund Limited held by its subsidiary, Mextram N.V.—at cost.....	502,425	502,425
	<u>19,675,764</u>	<u>15,094,892</u>
	<u>\$19,801,416</u>	<u>\$15,153,883</u>

On behalf of the Board:

G. P. OSLER, Director

DAVID G. GUEST, Director

See accompanying notes.

MAGNUM FUND LIMITED

and its subsidiary, Mextram N.V.

STATEMENTS OF CONSOLIDATED INCOME, EARNED SURPLUS, ACCUMULATED PROFIT ON SALE OF INVESTMENTS AND UNREALIZED APPRECIATION OF INVESTMENTS FOR THE YEAR ENDED JUNE 30, 1968

(In U.S. currency)

(with comparative figures at June 30, 1967)

INCOME		1968	1967
Income from investments (net of foreign income taxes withheld at source and exclusive of profit on sale of investments):			
Dividends.....	\$	337,632	\$ 336,748
Interest.....		117,460	105,982
Other.....			24,265
		<u>455,092</u>	<u>466,995</u>
Administrative and other expenses.....		57,597	37,375
Provision for income taxes.....		41,159	27,749
		<u>98,756</u>	<u>65,124</u>
Net income from investments for the year.....	\$	<u>356,336</u>	<u>\$ 401,871</u>

EARNED SURPLUS			
Balance, beginning of the year (note1).....	\$	1,089,177	\$ 825,609
Net income from investments for the year.....		356,336	401,871
		<u>1,445,513</u>	<u>1,227,480</u>
Dividend paid during the year.....		138,303	138,303
Balance, end of the year.....	\$	<u>1,307,210</u>	<u>\$ 1,089,177</u>

ACCUMULATED PROFIT ON SALE OF INVESTMENTS			
Balance, beginning of the year (note1).....	\$	8,201,001	\$ 7,276,765
Net profit on sale of investments.....		2,374,602	924,236
Balance, end of the year.....	\$	<u>10,575,603</u>	<u>\$ 8,201,001</u>

UNREALIZED APPRECIATION OF INVESTMENTS			
Balance, beginning of the year (note1).....	\$	1,486,403	\$ 910,031
Net increase for the year.....		1,988,237	576,372
Balance, end of the year.....	\$	<u>3,474,640</u>	<u>\$ 1,486,403</u>

See accompanying notes.

MAGNUM FUND LIMITED

and its subsidiary, Mextram N.V.

STATEMENT OF CHANGES IN CONSOLIDATED NET ASSETS

FOR THE YEAR ENDED JUNE 30, 1968

(with comparative figures at June 30, 1967)

	1968		1967	
		Per share (2)		Per share (2)
Net assets, beginning of year.....	\$15,094,892	\$38.19	\$13,330,716	\$33.73
Add:				
Net income from investments for year..	356,336	.90	401,871	1.02
Deduct dividend paid.....	138,303	(.35)	138,303	(.35)
	218,033		263,568	
Net profit on sale of investments (1)....	2,374,602		924,236	
Increase in unrealized appreciation of investments.....	1,988,237		576,372	
	4,362,839	11.04	1,500,608	3.79
Net assets, end of year.....	\$19,675,764	\$49.78	\$15,094,892	\$38.19
(1) Cost of investments, beginning of year.....	\$11,565,595		\$10,272,304	
Cost of investments purchased during year....	7,647,715		4,628,164	
	19,213,310		14,900,468	
Cost of investments, end of year.....	13,645,973		11,565,595	
Cost of investments sold during year.....	5,567,337		3,334,873	
Proceeds of sales.....	7,941,939		4,259,109	
Net profit on sale of investment, as above....	\$ 2,374,602		\$ 924,236	

(2) Excluding 20,097 shares held by subsidiary

MAGNUM FUND LIMITED

and its subsidiary, Mextram N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1968

1. ACCOUNTING CHANGES

Effective July 1, 1967:

- (a) the companies changed from a cost basis to a market value basis of carrying investments in securities having a quoted market value, the difference between market value and cost being recorded as "unrealized appreciation of investments" (\$1,486,403 at June 30, 1967).
- (b) accumulated profit on sale of investments since the reorganization of the company in 1953, included in earned surplus at June 30, 1967, was segregated in a separate account.

For purposes of comparison the 1967 figures shown in the attached statements have been restated to conform.

2. STATUTORY INFORMATION

Included in administrative and other expenses for the year ended June 30, 1968 is remuneration of directors and senior officers \$5,750 (1967—\$4,000).

AUDITORS' REPORT

TO THE SHAREHOLDERS OF MAGNUM FUND LIMITED:

We have examined the consolidated balance sheet of Magnum Fund Limited and its subsidiary Mextram N.V. as at June 30, 1968 and the statements of consolidated income, earned surplus, accumulated profit on sale of investments, unrealized appreciation of investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1968 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied, except for the changes referred to in note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Toronto, Canada,
July 12, 1968.

CLARKSON, GORDON & CO.
Chartered Accountants

MAGNUM FUND LIMITED

Incorporated under the laws of Canada

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of MAGNUM FUND LIMITED will be held at the head office of the Company, 24th Floor, 25 King Street West, Toronto, Canada, on Thursday, September 19, 1968, at 10.00 a.m. (eastern daylight saving time) for the purpose of receiving the report of the directors and the financial statements for the year ended June 30, 1968; for the election of directors and the appointment of auditors; and for the transaction of such other business as may properly come before the meeting.

Should you be unable to attend the meeting in person, kindly sign the enclosed form of proxy and return it to the Company at the above address at your earliest convenience.

Holders of bearer share warrants desiring to vote at the meeting should deposit their warrants at least three clear days before the meeting with any bank or trust company or at the head office of the Company and obtain from such depositary a certificate specifying the numbers of the warrants which have been deposited and the name of the person depositing the same and stating that the same will remain on deposit until after the day of the meeting. As provided in the regulations relating to bearer share warrants, such certificate will entitle the person named therein to attend and vote at the meeting in respect of the shares specified in the certificate or to appoint by proper instrument in writing some person, who need not be a shareholder, as proxy for that purpose.

By Order of the Board.

DAVID G. GUEST
Secretary

Toronto, Canada,
August 12, 1968.

MAGNUM FUND LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Magnum Fund Limited (the Company) of proxies to be used at the annual meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. The solicitation will be primarily by mail and the cost will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so** either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, sending it to the Secretary of the Company before the meeting or delivering it to the Chairman at the meeting. A person appointed as a proxy need not be a shareholder of the Company. A shareholder who has given a proxy may revoke it, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by it, by signing a proxy bearing a later date or written notice of revocation and, in either case, sending it to the Secretary of the Company before the meeting or delivering it to the Chairman at the meeting.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly executed proxies in favour of the persons designated in the enclosed form of proxy **will be voted for the election of directors and the appointment of auditors as stated under those headings in this circular.** With respect to amendments or variations to matters identified in the notice of meeting, and with respect to any other matters that may properly come before the meeting, such shares will be voted by the persons so designated in their discretion. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES

On July 15, 1968 the Company had outstanding 415,312 shares of the par value of \$10 each; of these, 20,097 shares are held by the Company's wholly-owned subsidiary and are accordingly disqualified from voting under Section 16A of the Canada Corporations Act. The remaining 395,215 shares carry the right to one vote per share. The directors and senior officers of the Company do not know of any person or company beneficially owning directly or indirectly more than 10% of such voting shares.

The only persons entitled to attend and vote at the meeting or to be represented thereat by proxy will be (a) registered shareholders of record at the time of the meeting, and (b) bearers of share warrants who have deposited the same and obtained a voting

certificate in respect thereof in accordance with the regulations relating to bearer share warrants referred to in the notice calling the meeting.

ELECTION OF DIRECTORS

The board consists of sixteen directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting and until his successor is duly elected.

The following table sets out the name of each of the persons proposed to be nominated for election as a director; all other positions and offices with the Company now held by him, if any; his principal occupation; the year in which he was first elected a director; and the approximate number of shares of the Company that he has advised are beneficially owned by him, directly or indirectly, as of July 15, 1968.

	<u>Became Director</u>	<u>No. of Shares</u>
T. R. ANDERSON, of Minneapolis, U.S.A., is President of Perrybell Investments Inc., an investment company	1954	401
DR. CARLO BOMBIERI, of Milan, Italy, is General Manager of Banca Commerciale Italiana	1963	nil
W. E. P. DeROCHE, Q.C., of Toronto, Canada, President of the Company, is a partner of Messrs. Blake, Cassels & Graydon, barristers & solicitors	1950	300
G. PETER FLECK, of New York, U.S.A., is Chairman of Amsterdam Overseas Corporation, a commercial financing and investment company, and Chairman of New Court Securities Corporation, an investment operations and management company	1953	1,000
HANS J. FRANK, of New York, U.S.A., is a partner of Messrs. Strasser, Spiegelberg, Fried & Frank, attorneys	1953	500
DAVID G. GUEST, Q.C., of Toronto, Canada, Secretary of the Company, is a partner of Messrs. Blake, Cassels & Graydon, barristers & solicitors	1948	20
GEORGES C. KARLWEIS, of Geneva, Switzerland, is a director of Banque Privee S.A.	1959	1
BARON LEON LAMBERT, of Brussels, Belgium, is a partner of Banque Lambert	1953	nil
NEIL J. McKINNON, of Toronto, Canada, is Chairman of Canadian Imperial Bank of Commerce	1963	500

	<u>Became Director</u>	<u>No. of Shares</u>
LEO MODEL, of New York, U.S.A., Chairman of the Company, is Chairman of Model, Roland & Co., Inc., investment bankers	1953	24,958
GORDON P. OSLER, of Toronto, Canada, is Chairman and President of UNAS Investments Limited	1966	nil
THE HON. N. C. J. ROTHSCHILD, of London, England, is a partner of N. M. Rothschild & Sons, investment bankers	1962	1
JONKHEER J. A. G. SANDBERG, of The Hague, Netherlands, is a partner of Pierson, Heldring & Pierson, bankers	1953	1
MAURICE SCHLOGEL, of Paris, France, is deputy general manager of Credit Lyonnais, bankers	1961	nil
SIR MARK TURNER, of London, England, is Deputy Chairman of Kleinwort, Benson Limited, merchant bankers	1953	nil
FRANZ HEINRICH ULRICH, of Dusseldorf, Germany, is, and has been for more than five years, a member of the Board of Managing Directors of Deutsche Bank AG	1968	1,000

NOTE: Each of the above named persons has been a director continuously since the year indicated except that David G. Guest was not a director from December 1950 to June 1953 and Hans J. Frank was not a director from October 1961 to October 1963.

REMUNERATION OF DIRECTORS

During its financial year ended June 30, 1968 the Company paid directors' fees aggregating \$5,750 U.S. currency.

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

Mr. Leo Model, Chairman of the Company, is Chairman of Model, Roland & Co., Inc. of New York and a director of Model, Roland Company, of London, England, which act as investment advisers to the Company and its subsidiary. Under the investment advisory agreements no fees are payable for such services. In the financial year ended June 30, 1968 the Company and its subsidiary paid \$94,358 to Model, Roland & Co., Inc. and its affiliate as commissions on securities brokerage transactions.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Clarkson, Gordon & Co., Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next annual meeting of shareholders.

DATED AS OF JULY 15, 1968.